



American Basin Council of Watersheds  
American River Conservancy  
American River Recreation Association  
American River Watershed Group  
American River Watershed Institute  
American Rivers  
Bear River Watershed Group  
California Outdoors  
City of Colfax  
County of Placer  
County of Sierra  
Dry Creek Conservancy  
El Dorado County Resource Conservation District  
El Dorado County Water Agency  
El Dorado Irrigation District  
El Dorado National Forest  
Fire Safe Council of Nevada County  
Friends of Deer Creek  
Georgetown Divide Public Utilities District  
Georgetown Divide Resource Conservation District  
Gold Country Fly Fishers  
Grizzly Flats Water District  
Mountain Counties  
Natural Heritage Institute  
Nature Conservancy  
Nevada County Resource Conservation District  
Nevada Irrigation District  
North San Juan Fire Protection District  
Northern CA Council Federation of Fly Fishers  
Placer County Resource Conservation District  
Placer County Water Agency  
Protect American River Canyons  
Save Auburn Ravine Salmon & Steelhead  
Sierra Club Mother Lode Chapter  
Sierra County  
Sierra Nevada Alliance  
South Yuba River Citizens League  
Tahoe National Forest  
The Sierra Fund  
Upper American River Foundation  
Washington County Water District  
Wolf Creek Community Alliance  
Yuba / Bear Watershed Council

August 24, 2012

California Department of Water Resources  
Division of Integrated Regional Water Management  
Financial Assistance Branch  
Post Office Box 942836  
Sacramento, CA 94236

Attn: Zaffar Eusuff

RE: Comments on the P84 - Round 2 Implementation Grant PSP Draft Guidelines.

Dear Mr. Eusuff,

I include an attachment which constitutes our comments on the referenced guidelines.

Obviously we are very concerned that the economic analysis which has proven to be complicated and expensive does not unfairly bias against either Disadvantaged Communities (DAC) or projects which are primary of a natural resource nature. As currently written the new guidelines favor urban infrastructure projects. Small projects which have a low cost/benefit ratio or DACs who do not have the funds to pay for a consultant are clearly at a disadvantage.

CABY is a region with extensive natural resources, is a net water producer/exporter and is part of the Sierra Nevada watershed complex which contributes roughly 65% of all of California's water. From this perspective we feel it is short-sighted to make the cost/benefit analysis of projects, and the resultant bias in scoring of project applications, inherently biased against the very projects which assist in ensuring long-term watershed health and ability to adapt to climate change.

We are hoping that you will revise your guidelines to reflect these comments. We would be happy to engage in conversations to identify specific methods to improve the analysis methods.

Sincerely,

Katie Burdick  
Executive Director

**22 August 2012**

**TO: Katie Burdick**  
**FROM: Ernie Niemi**  
**SUBJECT: INITIAL THOUGHTS ON THE PSP**

---

Here are some preliminary thoughts from my review of DWR Implementation Grant Proposal solicitation Package (PSP) (Exhibit D, pages 42 - 63 and Attachment 8, pages 22 - 24), and DWR's "Economic Analysis Guidebook" (Guidebook), published in January 2008 (Chapter 3). I focus on two issues: how the new guidelines support increased competitiveness of natural resource related projects and how disadvantaged communities (DAC) benefit from this new evaluation framework.

1. The PSP addresses all three aspects of the triple bottom line – economy, environment, community – but it places less emphasis on the second and third. More important, it provides extensive guidance for describing economic consequences, and specifically those that can be quantified in monetary terms, of each proposal, and explains how it will use this information to weigh different proposals competing for funding. These elements of the PSP re-cast the information presented in the Guidebook and focus on the techniques and information requirements of cost-benefit analysis and cost-effectiveness analysis.

It provides far less guidance for describing a proposal's environmental and community consequences, and offers only a vague explanation of how DWR will use this information to weigh competing proposals. Section D2 specifies that an applicant should complete the Non-monetized Benefits Checklist (Table 12), which asks, for example, if the proposed project would provide education or technology benefits, improve water quality in unquantifiable ways, or generate other social and environmental benefits. The PSP does not, however, specify how it will use and weigh this information, which leaves the applicant guessing about what information to provide. Of greater concern, the ambiguity leaves open the possibility that DWR will weigh this information in an arbitrary manner or even disregard it entirely.

The ambiguity in how DWR will weigh non-monetized benefits relative to monetized benefits also raises the possibility of bias favoring the latter over the former. Consider, for example, two communities with proposals having identical costs and benefits with equal value, but one can quantify the benefits in monetary terms and the other cannot. The PSP does not make it clear how it will weigh the two. Its stated preference for monetized analysis, however, suggests that communities submitting proposals that would yield non-market environmental or social benefits that cannot be monetized will be at a disadvantage, all else equal, relative to those submitting proposals that would yield market benefits.

2. The PSP does not address community consequences with the same diligence that it addresses environmental and economic consequences.

- “Exhibit C: Technical Justification of Project” provides guidance for describing the environmental consequences of an applicant’s proposal. It lists several types of “Project Physical Benefits,” which it describes as “the expected measurable accomplishments of projects.” These benefits include “Types and amounts of environmental benefits provided, such as the types of species and their numbers benefited, acreage of habitat or floodplain improved, restored or protected, amount of flow provided, or habitat units restored or protected.”
  - “Exhibit D: Benefits and Cost Analysis, provides guidance for describing the economic consequences of an applicant’s proposal. It specifies these six “Common types of benefits to report:” water supply, water quality, ecosystem improvement, recreation and public access, power cost savings and power production, and other.
  - The PSP does not provide analogous guidance for describing the social consequences. Instead, it seems to assume that “Community/Social Benefits” will be non-monetizable. The list of such benefits, in Section D2, overlooks potentially important benefits of projects that, for example, might enhance the spiritual/religious value of specific water resources, or create opportunities for jobs and income that would enable a community to sustain itself. These and similar benefits often are critically important to DACs.
3. The PSP imposes on applicants one-size-fits-all requirements that can place DACs at a disadvantage. For example, the PSP requires each proposal to include a benefit-cost analysis (or, in some instances, a costs-effectiveness analysis) and Table 5 – Supplemental Scoring Criteria and Scoring Standards, states that DWR will score the proposal “based on the magnitude of the benefits and the quality of the analysis.” A proposal will receive the highest score only if “Collectively the proposal is likely to provide a high level of benefits in relationship to cost and this finding is supported by detailed, high quality analysis and clear and complete documentation.”

This standard creates bias favoring applicants with the resources to assemble a detailed, high-quality analysis. It raises the possibility that, if two communities, one rich and one poor, have closely comparable projects, the rich one will have a greater likelihood of receiving funding because it has the resources to develop an analysis that meets this standard.